

Message Text

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20

ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01

PM-07 SCEM-02 DRC-01 NEA-10 NIC-01 /192 W

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R 072010Z DEC 73

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 9795

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE RIO DE JANEIRO 4526

E.O. 11652: N/A

TAGS: ENRG, BR

SUBJECT: BRAZIL'S PETROLEUM PROBLEMS

1. SUMMARY: HEAD OF BRAZIL'S NATIONAL PETROLEUM COUNCIL, UNDERTAKING WHAT IS APPARENTLY PUBLIC RELATIONS CAMPAIGN TO MINIMIZE PUBLIC CONCERN RE GASOLINE SUPPLIES, HAS STATED THAT SOME 60 PERCENT OF BRAZIL'S PETROLEUM NEEDS ARE GUARANTEED REGARDLESS OF POSSIBLE FUTURE SUPPLY CUTS. END SUMMARY.

2. ACCORDING RIO'S JORNAL DO BRASIL DEC 7, GEN. ARAKEN DE OLIVEIRA, PRES. NATIONAL PETROLEUM COUNCIL, HAS STATED THAT ALTHOUGH BRAZIL PRODUCES CRUDE TO COVER ONLY 22 PERCENT OF ITS NEEDS, IT CAN GUARANTEE TO MEET ABOUT 60 PERCENT OF ITS TOTAL NEEDS. "GUARANTEE" EXISTS EVEN IF BRAZIL WERE SUBJECTED TO CUTS FROM ABROAD, ALTHOUGH SUCH POSSIBILITIES BELIEVED TO BE "COMPLETELY REMOTE". FURTHERMORE, 60 PERCENT COVERAGE DOES NOT TAKE INTO ACCOUNT SUCH CAPABILITIES AS REACTIVATION OF SOME PRESENTLY NON-PRODUCING WELLS AND POSSIBLE UTILIZATION OF OIL FROM SHALE.

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3. GUARANTEE, ACCORDING TO DE OLIVEIRA, IS BASED ON SEVERAL FACTORS. "DIVERSIFICATION OF SUPPLY SOURCES" IS ONE ELEMENT PRESUMABLY GUARANTEEING SUPPLY. ADDITIONALLY, BRAZIL IS CONTEMPLATING ADDITION OF ALCOHOL IN LARGE AMOUNTS TO GASOLINE. THIS WOULD PERMIT DOMESTIC CRUDE TO COVER 32 PERCENT OF GASOLINE REQUIREMENT INSTEAD OF PRESENT 23 PERCENT. "ADDING TO THIS 15 PERCENT OF FUEL OIL AND ALSO CRUDE OF NON-ARAB ORIGIN, WE HAVE MINIMUM GUARANTEE OF 60 PERCENT SUPPLY", DE OLIVERIA WAS QUOTED AS SAYING. BRAZILIAN GASOLINE PRESENTLY CONTAINS ABOUT 4 PERCENT ALCOHOL. GOB REGULATION WAS ISSUED SEVERAL MONTHS AGO PERMITTING INCREASES IN PERCENTAGE OF ALCOHOL USED. GOB MIN. INDUSTRY AND COMMERCE RECENTLY TOLD CONSUL GENERAL THAT CONTENT WILL SOON BE RAISED TO 8 PERCENT AND PERHAPS LATER TO A HIHG OF 12 PERCENT. ACCORDING MIN INDUSTRIES, GOB IS THINKING OF DEVELOPING SUGAR CANE PLATINGS IN CERTAIN AREAS PRIMARILY FOR ALCOHOL PRODUCTION.

5. QUITE APART FROM DE OLIVEIRA'S UNIQUE ARITHMETIC, SUPPLY SITUATION FOR CRUDE, THOUGH DIFFICULT TO PIN DOWN PRECISELY, IS GENERALLY BELIEVED FAIRLY SATISFACTORY FOR NEXT SEVERAL MONTHS. DE OLIVEIRA, AND FOR THAT MATTER MOST PRESS REPORTS, CONVENIENTLY GLOSS OVER TECHNICAL PROBLEMS RELATED TO ACHIEVING MAJOR INCREASES IN DOMESTIC PRODUCTION, TO LARGE ANNUAL INCREASES IN CONSUMPTION LEVELS, AND TO THE 40 PERCENT THAT PRESENTLY MIGHT NOT BE COVERED. FACTORS SUCH AS LEVEL OF CAPITAL INVESTMENT AND LEAD TIME INVOLVED IN DEVELOPING SHALE AS SOURCE, DETERMINING POTENTIAL OF NEW FIELDS SUCH AS CAMPOS AND LEAD TIME INVOLVED IN PUTTING THEM INTO PRODUCTION, AND GENERAL RISKS IN OIL EXPLORATION AT HOME OR ABROAD ARE SELDOM NOTED.

6. THE DE OLIVEIRA STATEMENT IS ONE OF SEVERAL HE HAS MADE THIS PAST WEEK TO BRAZILIAN BUSINESS AND PROFESSIONAL GROUPS. COUCHED IN GENERALIZED AND UNSOPHISTICATED TERMS, THESE STATEMENTS APPEAR DESIGNED TO OFFSET SPECULATION ABOUT COMING SHORTAGES AND LEAVE PUBLIC WITH FEELING OF CONTINUING WELL BEING ABOUT BRAZIL'S POSITION IN COMPARISON WITH PROBLEMS ELSEWHERE.
BOONSTRA

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Message Attributes

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